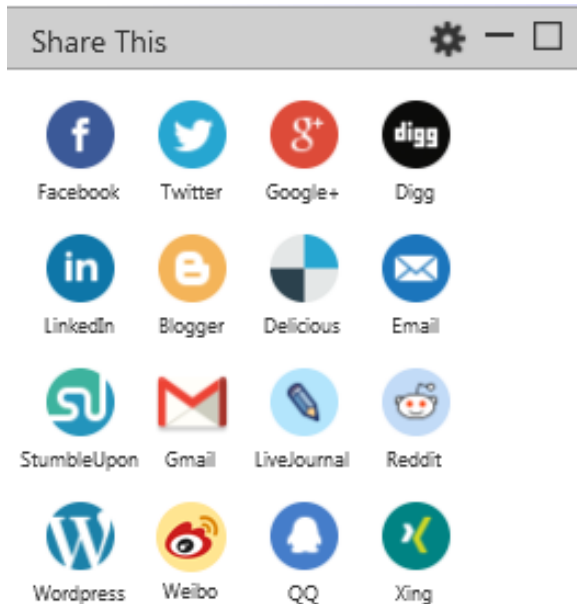


Balance Sheet Best Practice: Managing Growth for Maximum Profitability

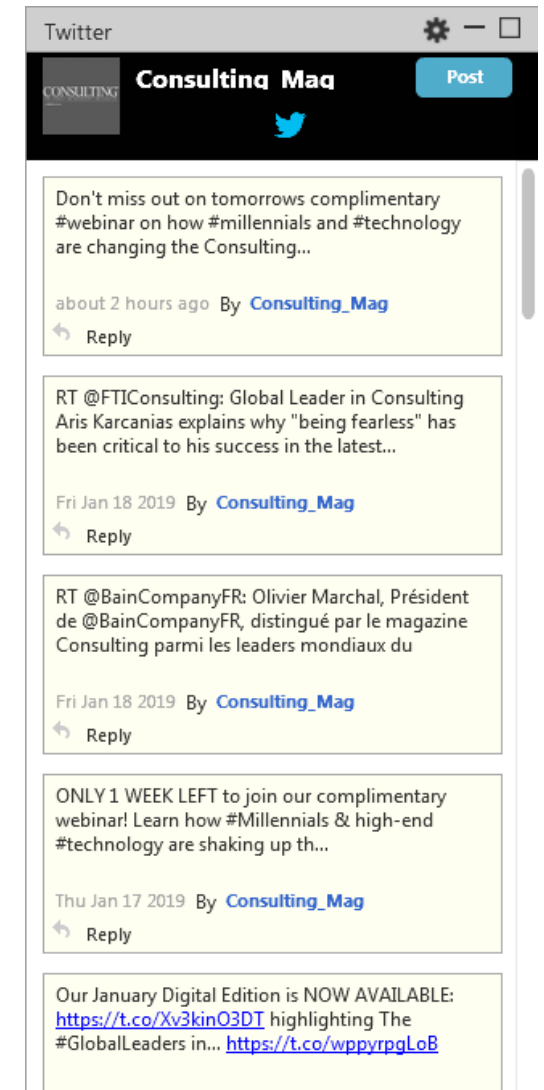


Before We Begin



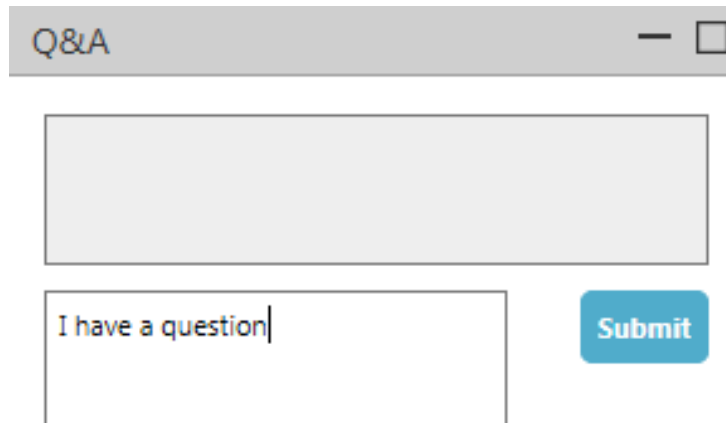
← Post directly to social media!

Live Twitter feed displays your tweets (use #cmagWebinar) →



Before We Begin

Ask questions through the
Q&A widget

A screenshot of a Q&A widget. At the top is a grey header bar with the text "Q&A" on the left and a minus sign followed by a square icon on the right. Below the header is a large, empty rectangular box for questions. At the bottom of the widget is a smaller white input field containing the text "I have a question" with a cursor at the end. To the right of this input field is a blue button with the word "Submit" in white text.

Questions will be answered
during the Q&A segment

FAQs

If you cannot hear the session currently, please check the following:

- Google Chrome and IE are the two best browsers to use – try one of these two browsers
- Ensure that cookies are enabled for this site
- Make sure FLASH is allowed
- If using Chrome, click on “enable ADOBE FLASH PLAYER” (see below)
- Recorded On-Demand session will be available starting tomorrow. 2/13.



Balance Sheet Best Practice: Managing Growth for Maximum Profitability



Today's Speakers



Joseph Kornik
Publisher and
Editor-in-Chief
Consulting
magazine



Elliot Fuhr
Managing Director
Berkeley Research Group
(BRG)



Tom Rodenhauser
General Manager, ALM
Intelligence
Managing Director, Advisory
Services



Lance Evanson
EVP Strategy & Business
Development
Simplus



Lauren Leonard
Senior Solution
Engineering Manager
Kimble

CONSULTING MAGAZINE WEBINAR

Balance Sheet Best Practice: Managing Growth for Maximum Profitability

February 12, 2019

PRESENTER

Elliot Fuhr

CFO Solutions Leader
Century City, CA



ABOUT BRG CFO SOLUTIONS

BRG AT A GLANCE

Founded in 2010
Full service advisory boutique
Global presence, 40+ offices, 1000+ professionals

CORPORATE FINANCE

DISPUTES & INVESTIGATIONS

STRATEGY & OPERATIONS

CFO SOLUTIONS

OUR VALUE CREATION MANDATE

We operationalize finance

We transform data into insights

We partner with the business to drive performance and value

TAILORED SOLUTIONS



Fix broken blocking and tackling in finance operations



Improve budgeting and forecasting to eliminate surprises



Drive value and transparency through FP&A



Deliver technology to drive controls and accountability



Facilitate bolt-on integration and smoother exits



Wring cash out of the balance sheet



Frame the strategic plan to lower the cost of finance



Fill organization gaps with surge resources / interim officer

WHY BALANCE SHEET MANAGEMENT MATTERS

MANAGING PROFITABLE GROWTH LEVERS



Growth must be managed for maximum profitability



Capital is generally expensive;
Lender support is limited to percentage of collectible
client receivables within DSO bands



Equity capital has its requirements- and control
provisions; giving up “control for dough” is hard



Taking on debt is not a sure thing in an early stage
growth model; it needs to be paid back



While everyone is focused on topline growth and
EBITDA, the CFO needs to watch capital efficiency

DON'T CONFUSE FIRM
VALUATION EXPECTATIONS
WITH LIQUIDITY
CONSTRAINTS

NO CASH

NO CREDIT

NO VALUE

DON'T RUN OUT OF CASH

ISSUES ... AND BEST PRACTICES

MIND THE GAPS

Too many people, processes, systems
Poor technology, lack of tools
Over-reliance on Excel and manual processes
Managing by KPIs and not financials
Delayed financial results
Inadequate resource management
Lack of visibility



INVEST IN AN ADEQUATE SET OF REPORTING TOOLS

OUTSOURCE LOW VALUE ADDED ACTIVITIES

CREATE SINGULARITY OF BACK OFFICE PROCESSES

BE PROACTIVE IN CASH FLOW FORECASTING AND MONITORING

ALIGN CAPITAL STRUCTURE TO FUND GROWTH

MANAGE RECEIVABLES, DSO, AND RESERVES

DRIVE WEEKLY UTILIZATION FORECASTING AND LINK TO DEMAND BACKLOG (NOW - NOT NEXT QUARTER PROMISES)

BASELINING WITH NUMBERS



- Monitor performance, allow for informed decision making, evaluate growth opportunities
 - Manage operating metrics, KPIs

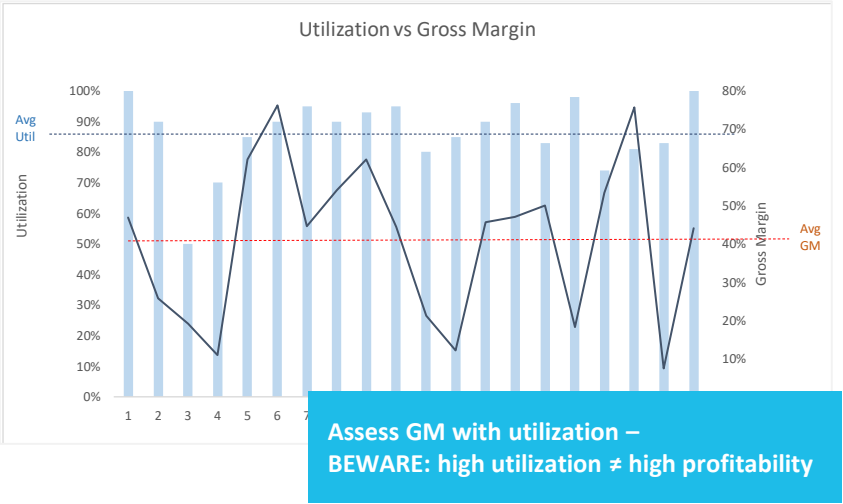
- Focus on financial results
 - Base on gross project margins
 - Evaluate profitability against utilization

Resp Time-keeper	Matter No	Matter	Arrange-ment	Billing Freq	Total Investmt	Total WIP Costs	Total WIP Fees	Total AR Amt	Cash On Account	Trust Balance

Monitor
receivables

		Current Week			Month To Date			Year To Date			Billable Hours Week Starting			
Name	Title	Billable	Avail	Util.	Billable	Avail	Util.	Billable	Avail	Util.	12/16	12/23	12/30	Total

Manage
utilization



MITIGATING YOUR RISK IN GROWTH

BALANCE UTILIZATION WITH PRACTICE DEVELOPMENT/R&D TIME

- Measure unallocated labor tightly
- Encourage innovation and ensure consistent investment in growth
- Evaluate when to train vs. hire outside experts

UTILIZE CONTRACTORS TO FLUX DEMAND

- Reduce investment in “fixed” costs
- Have the optionality to hire in
- Beware of difficulties managing brand when it’s not your own employee
- Delivery risks are real; not set it and forget it

ALIGN COMPENSATION

- Align compensation with risks across the staff pool
- Align incentives with business

HARD LESSONS LEARNED

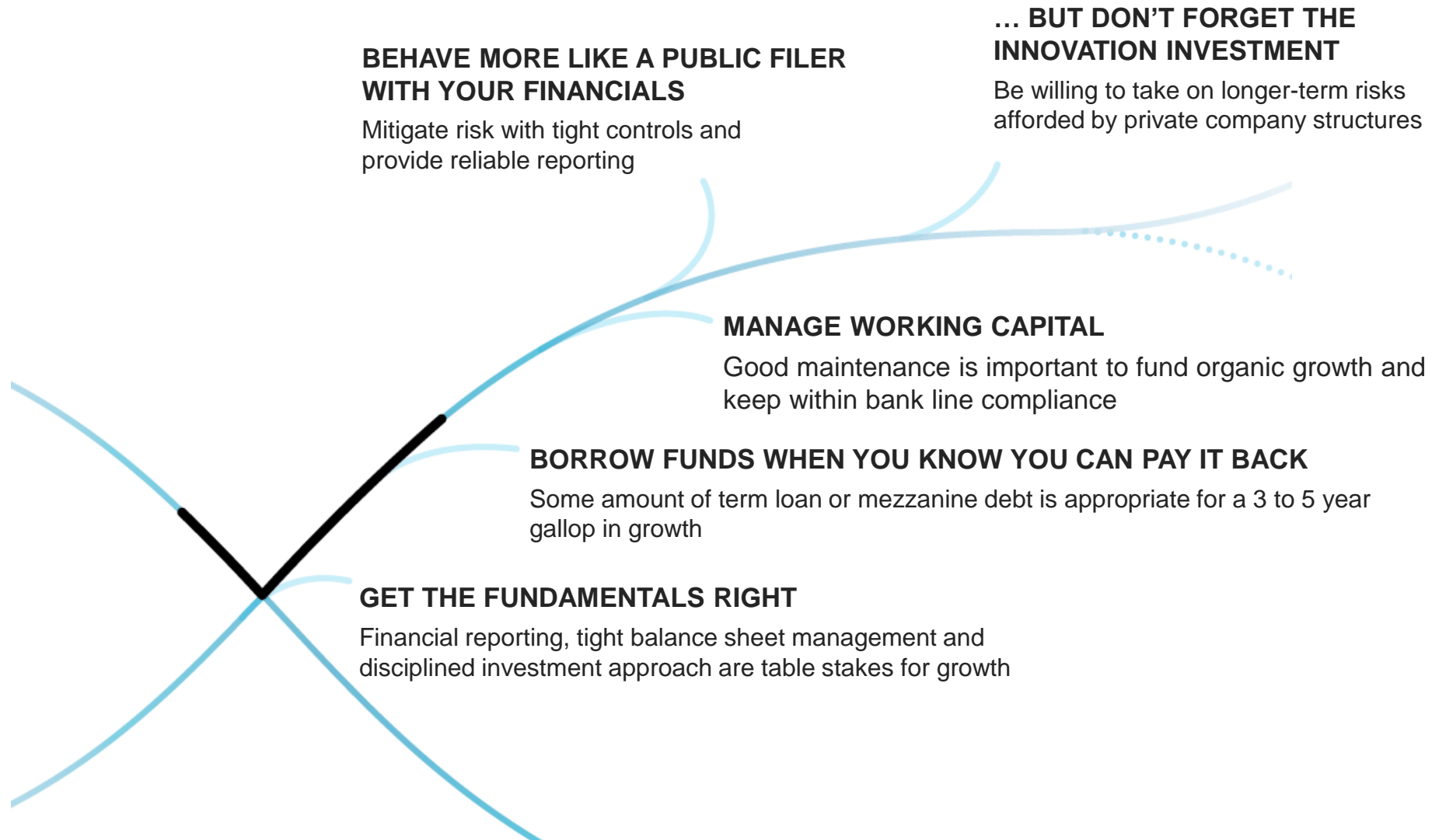
IMPLEMENT AN INVESTMENT COMMITTEE

- Encourage and support new products and initiatives
- Institute a process to vet and monitor investments
- Separate innovation vs. normal revenue

THE HARD THING ABOUT HARD THINGS... KNOW WHEN TO CUT LOSSES

- Growth comes with a price; rationalize your staff to real demand
- Hiring too fast can lead to lumpy utilization; sometimes you need to shrink to grow
- Reinvest in the business before you pay yourself

KEY TAKEAWAYS





Joseph Kornik
Publisher and
Editor-in-Chief
*Consulting
magazine*

Q&A with Tom Rodenhauser



Tom Rodenhauser
General Manager, ALM
Intelligence
*Managing Director, Advisory
Services*



Building Value Through M&A

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Materials

AGENDA

- SIMPLUS OVERVIEW
- CLARITY OF YOUR VISION
- BENEFITS OF M&A
- M&A PROCESS
- SEEING THE VALUE—SUCCESSFUL INTEGRATION

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SIMPLUS GLOBAL OVERVIEW & PRACTICES



ADVISORY SERVICES PRACTICE
(Business Process & Strategy)

CHANGE MANAGEMENT
(Utilization, Adoption & Proficiency)

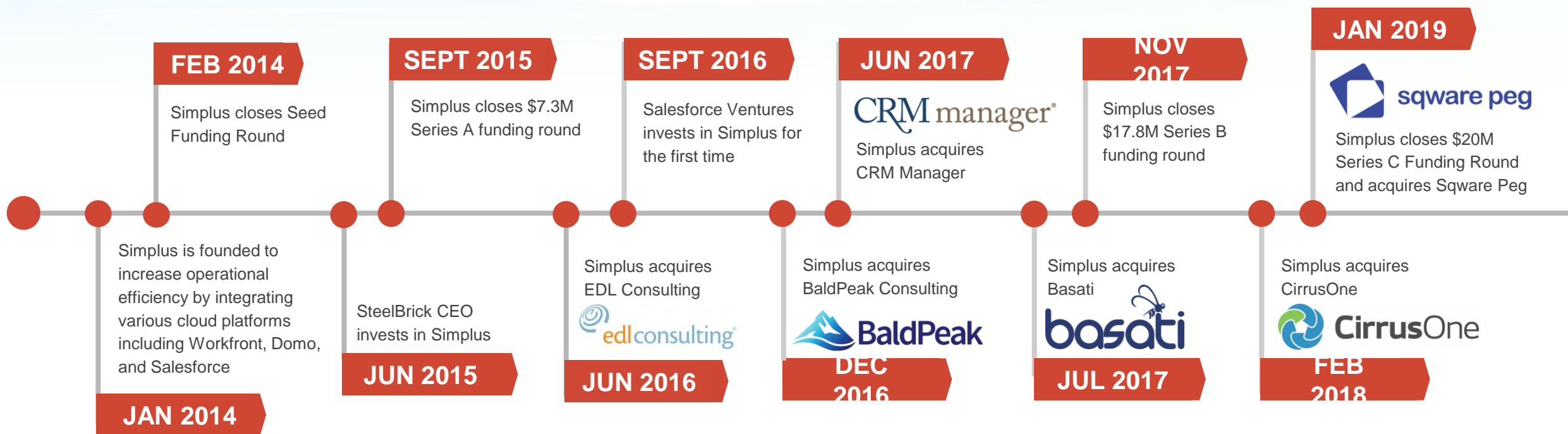
IMPLEMENTATION PRACTICE
(CPQ, CLM, Billing, Sales, Service)

MANAGED SERVICES
(Operational Excellence, Ongoing Services)

DATA AND INTEGRATIONS
(Integration, Migration Data Strategy)



SIMPLUS FUNDRAISING & ACQUISITION HISTORY



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CLARITY OF YOUR VISION

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CLARITY OF YOUR VISION

WHAT IS THE END GOAL

- COMPANY SIZE
- LIQUIDITY EVENT
- CORPORATE MISSION
- RANKING IN YOUR INDUSTRY
- etc.

THE RIGHT CUSTOMER

AVERAGE DEAL \$AVG Project | \$AVG ACV
SIZE- 40% NN | 45% EC | 15% CO
CUSTOMER TYPE- Advisory, Change Management,
SERVICE TYPE- Implementation, Data Integration,
Managed Services
Sales Cloud, Service Cloud, CPQ,
PRODUCT FOCUS- Billing, CLM, Communities,
(Field Service Lightning & Mulesoft)

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MULTIPRONGED M&A STRATEGY

Geography

Target strategically positioned in a geography that matters to us

We are unlikely to overtake them in that geography through an aggressive organic strategy

Combined market share helps enhance value and synergies

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Vertical

Target is a differentiated market leader in a particular vertical which we find attractive

We lack a strong presence in the focus industry and are unlikely to quickly replicate target's market penetration with a tailored go-to-market strategy

There is a logical structure and leadership to continue their vertical expertise within Simplus

Product

Target has a product capability which is non-existent or nascent at Simplus but on the Simplus road map

The product complements Simplus' expertise and provides cross-selling opportunities

Traditional Roll-Up

Target has similar geographic footprint, industry focus, or product offering as Simplus

Cultural fit and easy integration

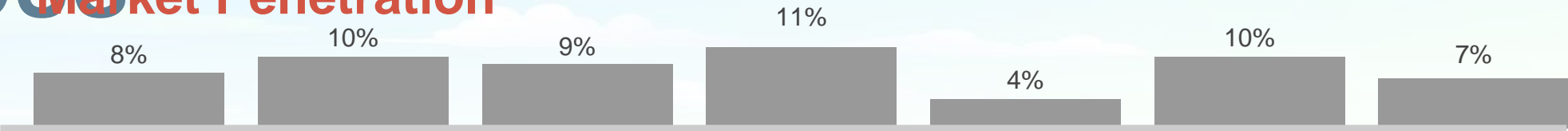
Can be purchased at the right price, significant multiple arbitrage

Gets us to our goals fast and builds equity value

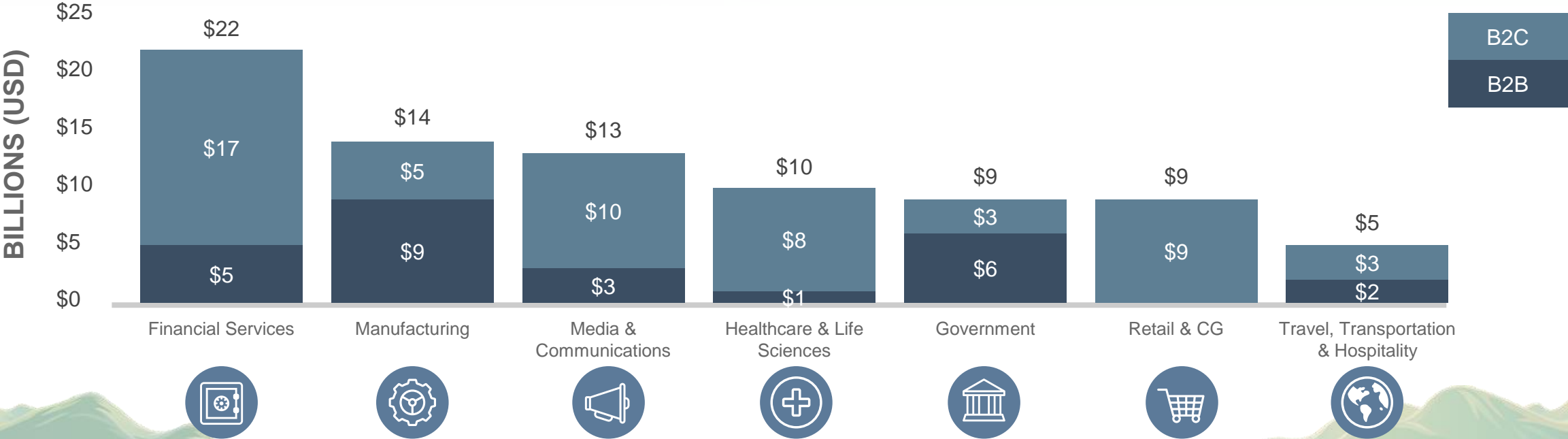
SALESFORCE INDUSTRY FOCUS



Market Penetration



TAM



88% OF OUR OPPORTUNITY IS IN 7 INDUSTRIES

BENEFITS OF M&A

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M&A SHOULD BRING ADDED VALUE

WHY?



GROSS MARGIN

Increased efficiency
delivering company offerings



COMPANY VALUATION

Multiple arbitrage from
acquired company



GROSS REVENUE

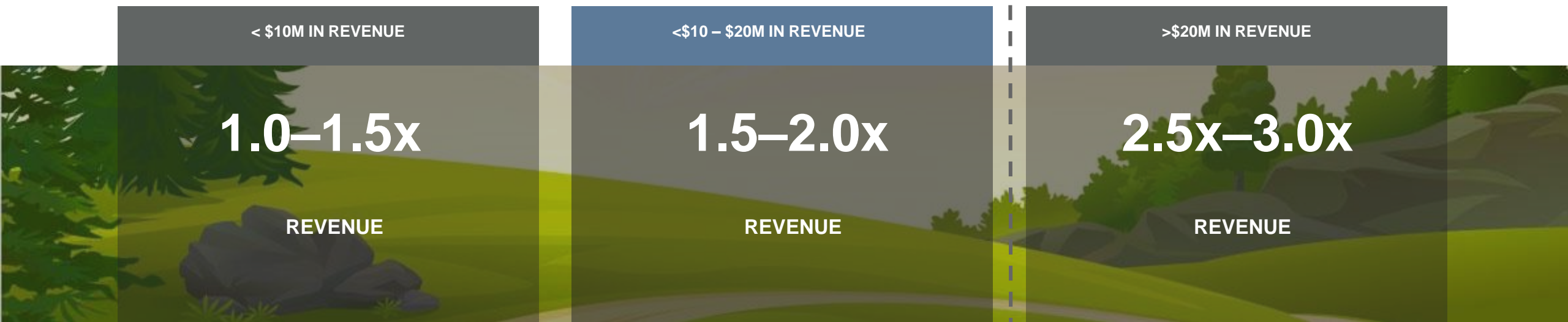
New revenue from
existing customers

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VALUATION & MULTIPLE ARBITRAGE



Quantitative Factors	< 1x	1 - 1.5x	> 1.5x
Revenue Growth	< 15%	15 - 30%	> 30%
% Recurring Revenue	< 25%	25 - 75%	> 75%
Gross Margin	< 35%	35 - 55%	> 55%
EBITDA Margin Potential	< 10%	10 - 20%	> 20%
Top 10 Concentration	> 50%	50 - 20%	< 20%

Quantitative Factors	< 2x	2 - 2.5x	> 2.5x
Revenue Growth	< 15%	15 - 30%	> 30%
% Recurring Revenue	< 25%	25 - 75%	> 75%
Gross Margin	< 35%	35 - 55%	> 55%
EBITDA Margin Potential	< 10%	10 - 20%	> 20%
Top 10 Concentration	> 50%	50 - 20%	< 20%

Note: Strategic valuations come from an urgent need to fulfill a capability and often differ from the noted values above.

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Source: Raymond James



M&A PROCESS

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M&A PROCESS



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SEEING THE VALUE INTEGRATION STRATEGY

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INTEGRATION STRATEGY

HBR: Failure rate of M&A is between 70 and 90 percent

- Inadequate due diligence
- False sense of security
- Lack of involvement from management
- Recognizing cultural synergies and differences
- Overemphasis on PR benefits
- Lack of understanding of actual value

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THANK YOU

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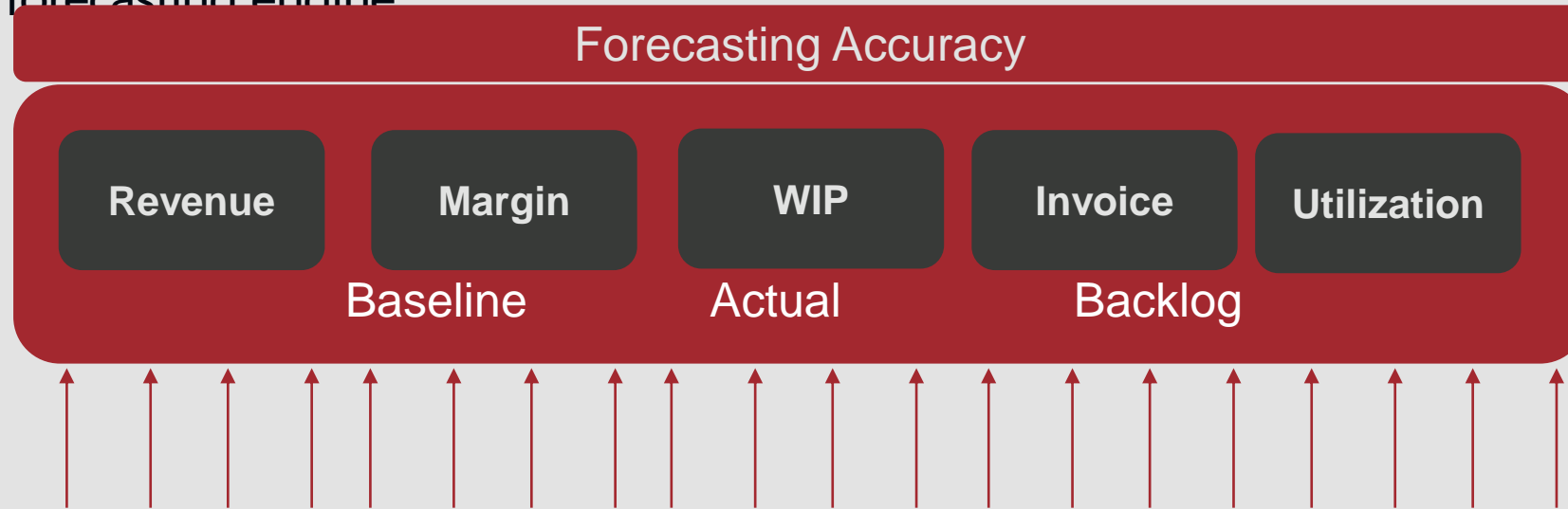
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High-Growth Success Factors

- ➔ Process automation
- ➔ Results oriented
- ➔ Act purposefully
- ➔ *Anticipate outcomes*
- ➔ Iterate

Forecasting

Accurate forecasting is more than reporting on revenue. There are multiple dimensions that need to be updated from multiple sources which are constantly changing. In Kimble, the business process drives a constant update via our real-time forecasting engine.



Forecast impacts & updates

Pipeline

- ➔ New opportunities
- ➔ Opportunity likelihood
- ➔ Close date slips
- ➔ Opportunity is won/lost

Delivery

- ➔ Start/end date slips
- ➔ Billing changes
- ➔ Schedule changes
- ➔ Resource mix changes
- ➔ New change order

People

- ➔ Time-off e.g. sickness, vacation
- ➔ Part-time workers
- ➔ Contractors
- ➔ Onboarding/offboarding
- ➔ Rate changes e.g. promotions

Questions? Ask now!



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Publisher and
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Consulting
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Elliot Fuhr
Managing Director
Berkeley Research Group
(BRG)



Tom Rodenhauser
General Manager, ALM
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Services



Lance Evanson
EVP Strategy & Business
Development
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Lauren Leonard
Senior Solution
Engineering Manager
Kimble

Thank You

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